

ORDINANCE NO. 08-01

AN ORDINANCE OF THE CITY OF KEY WEST, FLORIDA, AMENDING CHAPTER 46, SECTION 246 OF THE CODE OF ORDINANCES TO INCREASE AND EXTEND THE POST RETIREMENT SUPPLEMENT PAID TO RETIREES OF THE POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Board of Trustees of the Police Officers' and Firefighters' Retirement Plan has recommended increasing and extending the current post retirement supplement paid; and

WHEREAS, Florida Statutes, Chapters 175 and 185 provide that additional premium tax revenues received from the State of Florida shall be used to purchase extra benefits; and

WHEREAS, the Pension Plan's actuary has determined that there is sufficient additional Chapter 175 and 185 monies received from the State of Florida to pay for the cost of the increase of the post retirement supplement; and

WHEREAS the City Commission finds that this ordinance will best serve the interest of the citizens of Key West.

NOW, THEREFORE, BE IT ORDAINED by the City of Key West,  
Florida:

**Section 1:** That Section 46-246 of the Code of Ordinances is  
hereby amended to read as follows\*:

**Sec. 46-246. Post Retirement Supplement**

\*\*\*\*

(a) In addition to the monthly retirement benefits provided  
by this plan, there shall be a supplemental payment of \$269.00  
~~\$200.00~~ per month. This benefit shall commence on the first day of  
the month following separation from service, providing the member  
is in a pay status with the plan, and shall cease in the month  
immediately preceding the member's 65th ~~62nd~~ birthday. This  
benefit shall apply on a retroactive basis to all retirees who had  
attained the age of 62 prior to July 1, 2007, including  
retroactive payments for the retirees back to the time they had  
reached age 62. ~~No person may receive more than one form of~~  
~~supplemental payment from the plan.~~

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\*(Coding: Added language is underlined; deleted language is  
~~struck through.~~)

(b) The board, by uniform rule, shall establish a procedure for the distribution of this benefit. The board may, in its discretion, provide for the direct payment of this benefit to an insurance provider or other tax qualified method of distribution.

Section 2: If any section, provision, clause, phrase, or application of this Ordinance is held invalid or unconstitutional for any reason by any court of competent jurisdiction, the remaining provisions of this Ordinance shall be deemed severable therefrom and shall be construed as reasonable and necessary to achieve the lawful purposes of this Ordinance.

Section 3: All Ordinances or parts of Ordinances of said City in conflict with the provisions of this Ordinance are hereby superseded to the extent of such conflict.

Section 4: This Ordinance shall go into effect immediately upon its passage and adoption and authentication by the signature of the presiding officer and the Clerk of the Commission.

Read and passed on first reading at a regular meeting held this 2nd day of January, 2008.

Read and passed on final reading at a regular meeting held this 15th day of January, 2008.

Authenticated by the presiding officer and Clerk of the Commission on 16th day of January, 2008.

Filed with the Clerk January 16, 2008.

  
MORGAN MCPHERSON, MAYOR

ATTEST:

  
CHERYL SMITH, CITY CLERK

August 31, 2007

Ms. Susy Pita  
Plan Administrator, Key West  
Police and Fire Retirement Plan  
P.O. Box 490837  
Leesburg, FL 34749-0837

**Subject: City of Key West Police Officers' & Firefighters' Retirement Plan  
Actuarial Impact Statement for Plan Amendment**

Dear Susy:

We are pleased to enclose an Actuarial Impact Statement in support of the amendment of the City of Key West Police Officers' & Firefighters' Retirement Plan. The Actuarial Impact Statement is for the following changes:

- Increase the supplemental post retirement stipend from \$200 per month to \$269 per month to members in pay status and make it be payable until the month immediately preceding the members' 65<sup>th</sup> birthday instead of the previous limit of age 62. Past recipients of the stipend already over age 62 will receive retroactive payments of the increased stipend.

The results of our calculations indicate that the changes will increase the annual minimum contribution by \$114,302 (1.1% of covered payroll). **This increase will be paid for entirely by the available excess Chapter 175 and Chapter 185 contributions.**

We have prepared the Actuarial Impact Statement for filing with the State of Florida. Please note that this Statement must be signed and dated on behalf of the Board of Trustees. A copy of the proposed ordinance upon passage at the first reading along with this Actuarial Impact Statement should be submitted to the State at the following addresses:

Mr. Charles Slavin, A.S.A.  
Division of Retirement  
Cedars Executive Center, Building C  
2639 North Monroe Street  
Tallahassee, FL 32399-1560

Ms. Patricia Shoemaker  
Section Chief  
Municipal Police and Fire  
P.O. Box 3010  
Tallahassee, FL 32315-3010

Please note that State laws require revised funding no later than the fiscal year following the effective date of the changes provided under the ordinance. Please forward a copy of the ordinance upon passage at second reading to update our files.

Ms. Susy Pita  
August 31, 2007  
Page 2

We have prepared this Impact Statement based upon the October 1, 2006 census data utilized for the October 1, 2006 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those utilized for the October 1, 2006 Actuarial Valuation.

If you should have any question concerning the above, please do not hesitate to contact us.

Sincerely,



Donald A. DuLaney Jr., A.S.A.  
Senior Consulting Actuary

DAD:l

Enclosures

cc: Tim Fahey, with enclosures  
Stu Kaufman, Esq., with enclosures

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**CITY OF KEY WEST MUNICIPAL POLICE OFFICERS' &  
FIREFIGHTERS' RETIREMENT PLAN**

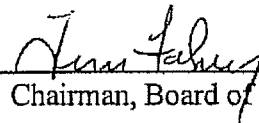
Actuarial Impact Statement

A. Description of Plan Amendment (see attached)

Increase the supplemental post retirement stipend from \$200 per month to \$269 per month to members in pay status and make it be payable until the month immediately preceding the members' 65<sup>th</sup> birthday instead of the previous limit of age 62. Past recipients of the stipend already over age 62 will receive retroactive payments of the increased stipend. **The cost is to be funded entirely by available excess annual Chapter 175 and Chapter 185 contributions.**

B. An estimate of the cost of implementing this amendment - see attachment.

C. In my opinion, the proposed changes are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.

  
Chairman, Board of Trustees

8-7-07

Date

Table I

**CITY OF KEY WEST MUNICIPAL POLICE OFFICERS' &  
FIREFIGHTERS' RETIREMENT PLAN**

**Actuarial Impact Statement as of October 1, 2006**

|  | Current<br>Plan<br><u>10/01/2006</u> | Proposed<br>Plan<br><u>10/01/2006</u> |
|--|--------------------------------------|---------------------------------------|
| <b>A. <u>Participant Data</u></b>  |                                      |                                       |
| 1. Active participants   | 159                                  | 159                                   |
| 2. Retired participants and<br>beneficiaries receiving benefits  | 75                                   | 75                                    |
| 3. DROP participants   | 4                                    | 4                                     |
| 4. Disabled participants receiving<br>benefits   | 5                                    | 5                                     |
| 5. Terminated vested participants  | <u>6</u>                             | <u>6</u>                              |
| 6. Total participants  | 249                                  | 249                                   |
| 7. Annual payroll of active participants   | \$ 10,277,147                        | \$ 10,277,147                         |
| 8. Annual benefits payable to those<br>currently receiving benefits  | \$ 2,508,250                         | \$ 2,508,250                          |
| 9. Annual benefits payable to DROP participants  | \$ 168,419                           | \$ 168,419                            |
| <b>B. <u>Assets</u></b>  |                                      |                                       |
| 1. Actuarial Value   | \$ 48,066,020                        | \$ 48,066,020                         |
| 2. Market Value  | \$ 49,349,049                        | \$ 49,349,049                         |
| <b>C. <u>Liabilities</u></b>   |                                      |                                       |
| 1. Actuarial present value of future<br>expected benefit payments for<br>active members                                |                                      |                                       |
| a. Age retirement benefits   | \$ 43,082,405                        | \$ 43,718,705                         |
| b. Vesting benefits  | 548,856                              | 571,718                               |
| c. Death benefits  | 271,969                              | 271,969                               |
| d. Disability benefits   | <u>635,978</u>                       | <u>656,726</u>                        |
| e. Total   | \$ 44,539,208                        | \$ 45,219,118                         |
| 2. Actuarial present value of future<br>expected benefit payments for<br>terminated vested members & those due refunds | \$ 820,928                           | \$ 850,138                            |
| 3. Actuarial present value of future<br>expected benefit payments for those<br>receiving benefits                      |                                      |                                       |
| a. Service retired   | \$ 21,293,668                        | \$ 21,664,625                         |
| b. DROP participants   | 1,841,436                            | 1,865,328                             |
| c. Disability retired  | 472,199                              | 492,980                               |
| d. Beneficiaries   | <u>1,629,248</u>                     | <u>1,629,248</u>                      |
| e. Total   | \$ 25,236,551                        | \$ 25,652,181                         |



**Table I**  
**(continued two)**

|  | <u>Current<br/>Plan<br/>10/01/2006</u> | <u>Proposed<br/>Plan<br/>10/01/2006</u> |
|--|--|---|
| 4. Total actuarial present value of future expected benefit payments | \$ 70,596,687                          | \$ 71,721,437                           |
| 5. Actuarial accrued liabilities                                     | \$ 57,645,332                          | \$ 58,553,062                           |
| 6. Unfunded actuarial liabilities                                    | \$ 9,579,312                           | \$ 10,487,042                           |
| <b>D. <u>Statement of Accumulated Plan Benefits</u></b>              |  |   |
| 1. Actuarial present value of accumulated vested plan benefits       |  |   |
| a. Participants currently receiving benefits                         | \$ 23,395,115                          | \$ 23,786,853                           |
| b. DROP participants   | 1,841,436                              | 1,865,328                               |
| c. Other participants  | <u>24,968,137</u>                      | <u>25,489,989</u>                       |
| d. Total   | \$ 50,204,688                          | \$ 51,142,170                           |
| 2. Actuarial present value of accumulated non-vested plan benefits   | <u>1,254,701</u>                       | <u>1,421,188</u>                        |
| 3. Total actuarial present value of accumulated plan benefits        | \$ 51,459,389                          | \$ 52,563,358                           |
| <b>E. <u>Pension Cost</u></b>  |  |   |
| 1. Total normal cost including expenses                              | \$ 2,356,702                           | \$ 2,386,769                            |
| 2. Payment required to amortize unfunded liability                   | <u>776,102</u>                         | <u>852,352</u>                          |
| 3. Total required contribution (including interest)                  | \$ 3,249,191                           | \$ 3,363,493                            |
| 4. Item 3 as a percentage of payroll                                 | 31.6%                                  | 32.7%                                   |
| 5. Estimated employee contributions                                  | \$ 719,400                             | \$ 719,400                              |
| 6. Item 5 as a percentage of payroll                                 | 7.0%                                   | 7.0%                                    |
| 7. Estimated State contributions                                     | \$ 406,859                             | \$ 521,161 *                            |
| 8. Item 7 as a percentage of payroll                                 | 4.0%                                   | 5.1%                                    |
| 9. Net amount payable by Town  | \$ 2,122,932                           | \$ 2,122,932                            |
| 10. Item 9 as a percentage of payroll                                | 20.7%                                  | 20.7%                                   |

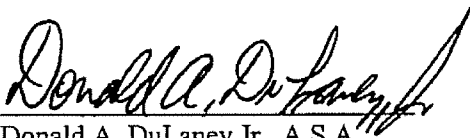
\* \$521,161 = \$406,859 (Adjusted Base Amount) + \$114,302 (additional Annual Excess).

**Table I**  
**(continued three)**

|  | Current<br>Plan<br><u>10/01/2006</u> | Proposed<br>Plan<br><u>10/01/2006</u> |
|--|--------------------------------------|---------------------------------------|
| F. <u>Disclosure of Following Items:</u>                                       |                                      |                                       |
| 1. Actuarial present value of future salaries - attained age                   | \$ 67,094,804                        | \$ 67,094,804                         |
| 2. Actuarial present value of future employee contributions - attained age     | \$ 4,696,636                         | \$ 4,696,636                          |
| 3. Actuarial present value of future contributions from other sources          | N/A                                  | N/A                                   |
| 4. Amount of active members' accumulated contributions                         | \$ 4,525,199                         | \$ 4,525,199                          |
| 5. Actuarial present value of future salaries and future benefits at entry age | Not provided by software             |                                       |
| 6. Actuarial present value of future employee contributions at entry age       | Not provided by software             |                                       |

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise provided for in the valuation.

All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Donald A. DuLaney Jr., A.S.A.  
Senior Consulting Actuary

8/31/07

Date

05-4191

Enrollment Number

## Table II

CITY OF KEY WEST MUNICIPAL POLICE OFFICERS' &  
FIREFIGHTERS' RETIREMENT PLANOutline of Principal Provisions of the Plan

- A. Effective Date:  
January 1, 1973, as amended through Ordinance 05-17.
- B. Eligibility Requirements:  
Regular, permanent and full-time employment as certified Police Officers or Firefighters.
- C. Credited Service:  
Service in completed months from date of employment to the date of termination of service. Effective October 1, 2004 and ending on October 1, 2007, active police officer members who have completed more than 17 years but less than 20 years of Credited Service are allowed optionally to purchase additional service to meet the 20 years Credited Service retirement requirement to have retirement benefits at no more than 60% of their Final Monthly Compensation. The costs of the purchases are at their true actuarial costs and would be paid by the electing members and be of no cost to the plan.
- D. Basic Compensation:  
Compensation paid including overtime pay, compensatory time pay, assignment pay, educational incentive pay, licensure or training pay and *pick-up* contributions, but excluding payments for accrued sick leave, accrued vacation leave, accrued compensatory pay and any other form of remuneration.
- E. Final Monthly Compensation:  
Average monthly rate of basic compensation during the best thirty-six (36) consecutive calendar months out of the last one-hundred twenty (120) calendar months preceding date of termination. Denoted FMC.
- F. Employee Contributions:  
*Pick-up* contributions of 7.0% of basic annual compensation.
- G. Normal Retirement:
- (1) Eligibility: The earliest of (a) or (b), where
    - (a) Attainment of age 55 and the completion of 10 years of Credited Service, and
    - (b) Completion of 20 years of Credited Service.
  - (2) Benefit: 3.0% times FMC times Credited Service.

**Table II**  
**(continued two)**

H. Early Retirement:

- (1) Eligibility: Attainment of age 50, completion of 10 years of Credited Service.
- (2) Benefit: Benefit accrued to date of retirement, reduced in an actuarial equivalent manner, but not by more than 3% per year, to reflect commencement of benefit at an earlier age.

I. Deferred Retirement:

- (1) Eligibility: Retirement subsequent to reaching normal retirement age.
- (2) Benefit: Benefit accrued at deferred retirement date based on Credited Service and FMC at deferred retirement date.

J. Disability Retirement:

- (1) Eligibility: Total and permanent qualifying disability. If non-service incurred, the completion of 10 years of Credited Service.
- (2) Benefit: Benefit (payable for ten (10) years certain and life thereafter)
  - Incurred in Line-of-Duty: Greatest of (a), (b) or (c), where
    - (a) is 42% of average monthly compensation as of date of disability
    - (b) is the benefit supported by the present value of accrued benefit as of date of disability, and
    - (c) is the benefit supported by eighteen (18) times average monthly compensation. Benefit under (c) shall not exceed 60% of anticipated retirement benefit.
  - Not Incurred in Line-of-Duty: Greater of accrued benefit or 25% of average monthly compensation as of date of disability.
  - Catastrophic Injury: a member who receives a "catastrophic injury", as provided in Section 440.02, Florida Statutes, which renders the member totally and permanently disabled from all gainful employment, shall receive a disability benefit equal to seventy-five percent (75%) of the member's compensation at the time of disability.

K. Death Benefit:

Benefit to beneficiary (payable for 10 years certain and life thereafter) which can be supported by the greater of A or B, where A is the single-sum value of the accrued benefit at date of death and B is the smaller of (1) and (2), where (1) is 18 times FMC at date of death and (2) is 100 times the anticipated monthly normal retirement benefit.

**Table II**  
**(continued three)**

**L. Vested Benefit Upon Termination:**

- (1) Eligibility: Vesting schedule with no vesting until completion of five (5) years of Credited Service (50%). Vesting is 50% upon completion of five (5) years of Credited Service, increasing by 10% per year until 100% vesting upon completion of ten (10) years of Credited Service.
- (2) Benefit at Normal Retirement Date: Benefit is the accrued benefit at date of termination, times the vested percentage, commencing at normal retirement date, or reduced benefit as of early retirement date with 10 years of Credited Service.

**M. Cash Termination Benefit:**

- (1) Accumulated employee contributions for non-vested employees.
- (2) Vested members may elect to receive a refund of accumulated employee contributions in lieu of deferred vested benefit.

**N. Normal Form of Retirement Income:**

10 years certain and life thereafter annuity with guaranteed return of employee contributions.

**O. Deferred Retirement Option Plan (DROP):**

- (1) Eligibility: Upon meeting the eligibility for normal or early retirement.
- (2) Participation in the DROP must be exercised within the first thirty (30) years of employment; provided, however, that participation in the DROP, when combined with participation in the retirement plan as an active member may not exceed thirty (30) years. The maximum period of participation in the DROP is five (5) years.
- (3) An employee's account in the DROP program shall earn or lose interest based upon the actual earnings of the Fund or a fixed rate of return of 6.5% as elected by the member.
- (4) No payment may be made from DROP until the employee actually separates from service with the City.

**P. Retiree Benefit Adjustments:**

Persons retiring on or after October 1, 1988 shall be eligible for any future benefit changes from the date of the change forward.

**Q. Post-retirement Supplement**

A supplemental benefit of \$269 per month shall be paid to a member in benefit payment status until the month immediately preceding the member's 65<sup>th</sup> birthday.

**R. Changes From Most Recent Valuation**

Previously, the supplemental benefit was \$200 per month and only payable until the month immediately preceding the member's 62<sup>nd</sup> birthday.

Table III

**CITY OF KEY WEST MUNICIPAL POLICE OFFICERS' &  
FIREFIGHTERS' RETIREMENT PLAN**

Actuarial Assumptions and Actuarial Cost Methods  
Used in the Valuation

A. Mortality

For healthy participants, the 1983 Group Annuity Mortality Table was used with separate rates for males and females.

For disabled participants, the 1985 Pension Disability Table was used with separate rates for males and females.

B. Interest to be Earned by Fund

8.25%, compounded annually.

C. Allowances for Expenses or Contingencies

Previous year's actual expense paid added to normal cost.

D. Employee Withdrawal Rates

Withdrawal rates for males and for females were used in accordance with the following illustrative example:

| <u>Age</u> | <u>Withdrawal Rates<br/>Per 100 Employees</u> |                |
|------------|---|----------------|
|            | <u>Male</u>                                   | <u>Females</u> |
| 20         | 24.9  | 34.9           |
| 25         | 14.9  | 24.9           |
| 30         | 7.9   | 14.9           |
| 35         | 2.9   | 7.9            |
| 40         | 0.0   | 2.9            |
| 45 & Over  | 0.0   | 0.0            |

E. Disability rates

The 1985 Disability Study - Class 1 separate male and female rates were used. Additionally, thirty-five percent (35%) of disabilities assumed to be service incurred, twenty-five percent (25%) non-service incurred, and forty percent (40%) of disabilities are assumed to be catastrophic injuries.

F. Salary Increase Factors

Current salary was assumed to increase at a rate equal to 5.5% per year.

**Table III**  
**(continued two)**

G. Retirement Age

The following are the retirement rates assumed for the participants eligible for retirement:

| Participants with <u>20 or more</u><br>years of Credited Service |                        | Participants with <u>less than 20</u><br>years of Credited Service |                        |
|--|------------------------|--|------------------------|
| Age  | Percentage<br>Retiring | Age  | Percentage<br>Retiring |
| 40-44  | 75%                    | 50-54  | 50%                    |
| 45+  | 100%                   | 55-59  | 75%                    |
|  |                        | 60   | 100%                   |

However, active participants eligible for retirement as of the valuation date are assumed to have a minimum of one year future service.

H. Valuation of Assets

The actuarial value of assets is determined by smoothing the differences between actual investment earnings and assumed investment return over five (5) years. This method was adopted effective October 1, 2006 with no phase-in. The resulting value would then be limited to between 80% and 120% of market value.

I. Cost Methods

Normal Retirement, Termination, Death, and Disability Benefits: Entry-Age-Normal Cost Method: Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his entry age to his assumed retirement age to fund his estimated benefits, assuming the plan had always been in effect. The normal cost for the plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the assets of the plan.

J. Changes From Most Recent Valuation

None.